

PEARL RIVER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

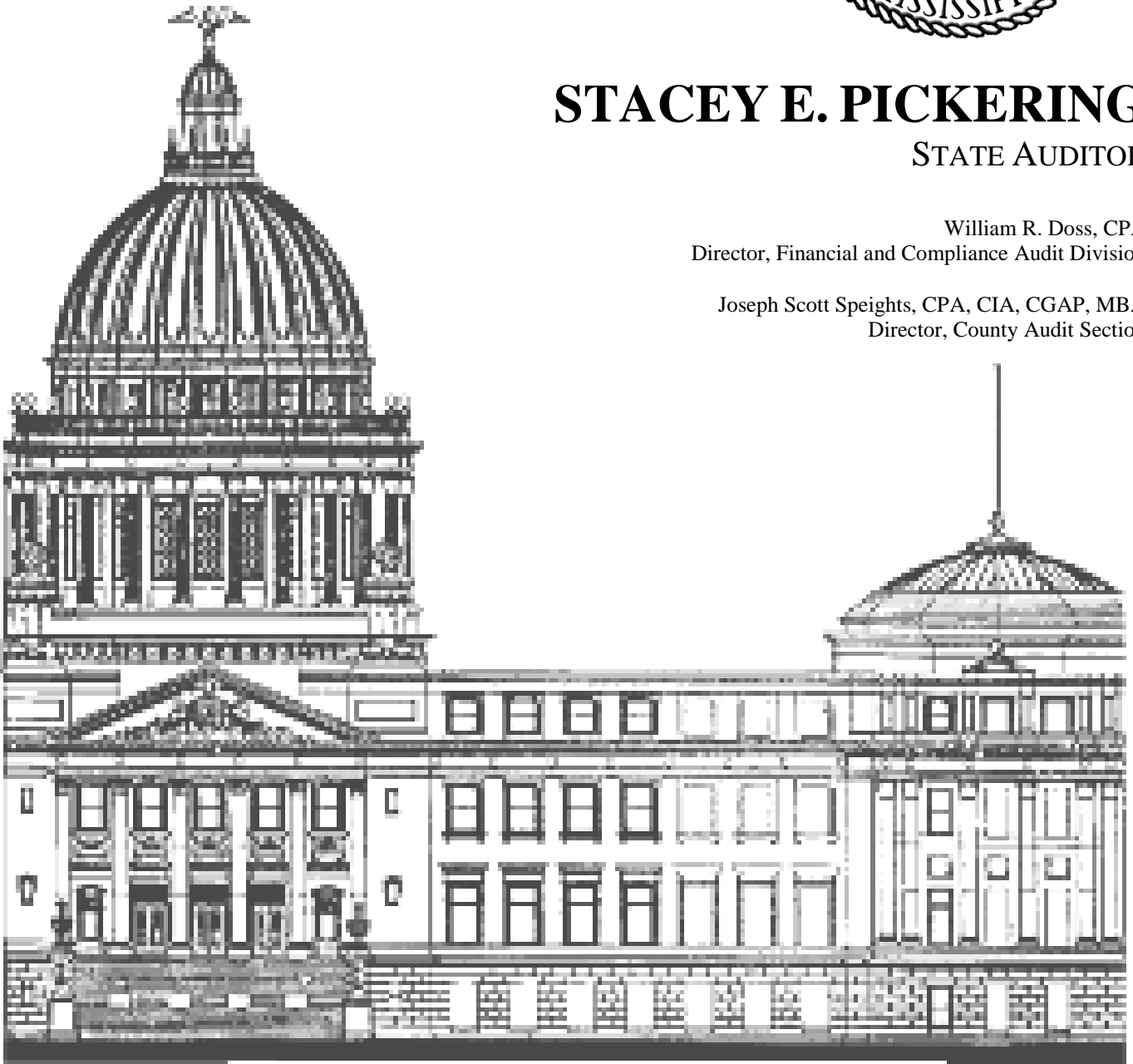


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 11, 2012

Members of the Board of Supervisors
Pearl River County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Pearl River County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Pearl River County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Pearl River County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

FINANCIAL SECTION

PEARL RIVER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Pearl River County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pearl River County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 (J) to the financial statements, management has not maintained adequate subsidiary records documenting the county's infrastructure and has not maintained adequate records documenting depreciation on the county's infrastructure. Accounting principles generally accepted in the United States of America require that the governmental activities' infrastructure be depreciated which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Pearl River County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate capital assets subsidiary records as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Pearl River County, Mississippi, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lastly, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Pearl River County, Mississippi, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012, on our consideration of Pearl River County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pearl River County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pearl River County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 11, 2012

PEARL RIVER COUNTY

FINANCIAL STATEMENTS

PEARL RIVER COUNTY

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PEARL RIVER COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 10,912,702
Restricted assets - Investments	812,806
Property tax receivable	13,178,000
Fines receivable (net of allowance for uncollectibles of \$1,326,801)	1,021,939
Deferred charges - issuance cost	53,546
Intergovernmental receivables	1,528,529
Other receivables	34,899
Capital assets:	
Land and construction in progress	2,576,783
Other capital assets, net	62,890,033
Total Assets	<u>93,009,237</u>
LIABILITIES	
Claims payable	1,363,339
Intergovernmental payables	574,441
Accrued interest payable	545,900
Deferred revenue	13,178,000
Other payables	242,037
Long-term liabilities	
Due within one year:	
Capital debt	1,311,457
Non-capital debt	4,660,703
Due in more than one year:	
Capital debt	15,233,792
Non-capital debt	583,693
Total Liabilities	<u>37,693,362</u>
NET ASSETS	
Invested in capital assets, net of related debt	48,921,567
Restricted:	
Expendable:	
General government	87,640
Debt service	559,677
Public safety	333,166
Public works	1,888,202
Health and welfare	185,850
Culture and recreation	78,650
Conservation of natural resources	476,736
Economic development	108,548
Unrestricted	2,675,839
Total Net Assets	<u>\$ 55,315,875</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 6,301,996	2,189,801	20,258	29,557	(4,062,380)
Public safety	9,942,133	3,374,327	290,659	483,565	(5,793,582)
Public works	5,989,464	38,836	1,032,734	1,176,156	(3,741,738)
Health and welfare	674,553		353,840	2,372,376	2,051,663
Culture and recreation	390,764		101,551	164,130	(125,083)
Education	189,313				(189,313)
Conservation of natural resources	815,852		218,151		(597,701)
Economic development and assistance	416,833	351	192,324	235,433	11,275
Interest on long-term debt	863,943				(863,943)
Total Governmental Activities	25,584,851	5,603,315	2,209,517	4,461,217	(13,310,802)
General revenues:					
Property taxes				\$	14,563,824
Road & bridge privilege taxes					644,176
Grants and contributions not restricted to specific programs					3,334,081
Unrestricted interest income					191,734
Miscellaneous					1,635,129
Total General Revenues					20,368,944
Changes in Net Assets					7,058,142
Net Assets - Beginning, as previously reported					51,032,910
Prior period adjustments					(2,775,177)
Net Assets - Beginning, as restated					48,257,733
Net Assets - Ending				\$	55,315,875

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Countywide</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Road Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 7,664,965	509,067	2,738,670	10,912,702
Restricted Assets - Investments			812,806	812,806
Property tax receivable	9,502,000	1,387,000	2,289,000	13,178,000
Fines receivable (net of allowance for uncollectibles of \$1,326,801)	1,021,939			1,021,939
Intergovernmental receivables	1,035,363		493,166	1,528,529
Other receivables	34,899			34,899
Due from other funds		83,092	39,703	122,795
Advances to other funds		97,330		97,330
Total Assets	<u>\$ 19,259,166</u>	<u>2,076,489</u>	<u>6,373,345</u>	<u>27,709,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 853,874	207,792	301,673	1,363,339
Intergovernmental payables	574,441			574,441
Due to other funds	122,795			122,795
Advances from other funds	97,330			97,330
Deferred revenue	10,523,939	1,387,000	2,289,000	14,199,939
Other payables	242,037			242,037
Total Liabilities	<u>12,414,416</u>	<u>1,594,792</u>	<u>2,590,673</u>	<u>16,599,881</u>
Fund balances:				
Reserved for:				
Debt service			1,105,577	1,105,577
Advances		97,330		97,330
Unreserved - undesignated, reported in:				
General Fund	6,844,750			6,844,750
Special Revenue Funds		384,367	2,677,095	3,061,462
Total Fund Balances	<u>6,844,750</u>	<u>481,697</u>	<u>3,782,672</u>	<u>11,109,119</u>
Total Liabilities and Fund Balances	<u>\$ 19,259,166</u>	<u>2,076,489</u>	<u>6,373,345</u>	<u>27,709,000</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,109,119
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$91,053,598.	65,466,816
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,021,939
Long-term liabilities are not due and payable in the current period and, therefore, is not reported in the funds.	(21,789,645)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(545,900)
Deferred charges - issuance cost	<u>53,546</u>
Total Net Assets - Governmental Activities	\$ <u><u>55,315,875</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2010

	Major Funds		Other	Total
	General	County wide	Governmental	Governmental
	Fund	Road Fund	Funds	Funds
REVENUES				
Property taxes	\$ 10,492,913	1,584,041	2,486,870	14,563,824
Road and bridge privilege taxes	0	644,176		644,176
Licenses, commissions and other revenue	778,760		217,151	995,911
Fines and forfeitures	757,274		18,209	775,483
Intergovernmental revenues	6,096,370	1,477,417	2,431,028	10,004,815
Charges for services	2,801,556		526,849	3,328,405
Interest income	141,157	6,648	43,929	191,734
Miscellaneous revenues	839,295	65,000	730,834	1,635,129
Total Revenues	21,907,325	3,777,282	6,454,870	32,139,477
EXPENDITURES				
Current:				
General government	10,465,399		752,501	11,217,900
Public safety	8,176,597		1,647,014	9,823,611
Public works	576,815	3,348,954	3,035,371	6,961,140
Health and welfare	470,353		204,200	674,553
Culture and recreation	365,773		23,061	388,834
Education	187,013		2,300	189,313
Conservation of natural resources	193,157		645,080	838,237
Economic development and assistance	1,193,983		164,149	1,358,132
Debt service:				
Principal	478,545	377,168	1,058,418	1,914,131
Interest and other fiscal charges	347,423	112,114	274,715	734,252
Total Expenditures	22,455,058	3,838,236	7,806,809	34,100,103
Excess of Revenues over (under) Expenditures	(547,733)	(60,954)	(1,351,939)	(1,960,626)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			334,644	334,644
Refunding bonds issued	1,210,000			1,210,000
Proceeds from sale of capital assets	3,822	96,179	131,700	231,701
Premiums on bonds issued	124,825			124,825
Transfers in			181,302	181,302
Transfers out	(100,000)	(19,288)	(62,014)	(181,302)
Payment to bond refunding escrow agent	(1,275,329)			(1,275,329)
Total Other Financing Sources and Uses	(36,682)	76,891	585,632	625,841
Net Changes in Fund Balances	(584,415)	15,937	(766,307)	(1,334,785)
Fund Balances - Beginning, as previously reported	7,789,897	465,760	4,415,067	12,670,724
Prior period adjustments	(360,732)		133,912	(226,820)
Fund Balances - Beginning, as restated	7,429,165	465,760	4,548,979	12,443,904
Fund Balances - Ending	\$ 6,844,750	481,697	3,782,672	11,109,119

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,334,785)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$8,709,082 exceeded depreciation of \$1,646,795 in the current period.	7,062,287
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$287,280 and the proceeds from the sale of \$231,701 in the current period.	(518,981)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	503,516
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$3,162,312 exceeded debt proceeds of \$1,544,644.	1,617,668
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in accrued interest payable	(198,955)
The amount of increase in compensated absences	(38,245)
The amortization of:	
Issuance cost on refunding bond	53,546
Refunding bond deferred charges	24,433
Premium on refunding bond	<u>(112,342)</u>
Change in Net Assets of Governmental Activities	\$ <u>7,058,142</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	665,666
Total Assets	\$	665,666
LIABILITIES		
Amounts held in custody for others	\$	566,335
Intergovernmental payables		99,331
Total Liabilities	\$	665,666

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Pearl River County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Pearl River County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Pearl River County Hospital
- Carriere Fire District
- Crossroads Fire District
- Henleyfield Fire District
- McNeil Fire District
- Southeast Fire District
- Amackertown Fire District
- Northeast Fire District
- Pine Grove Fire District
- Nicholson Fire District
- Derby/Whitesand Fire District
- North Central Fire District
- Steephollow Fire District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

- Mississippi Corrections PRC, LLC

Mississippi Corrections PRC, LLC was formed for the purpose of the construction of a new jail facility.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Countywide Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

I. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the county's revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "administrative expense" fund is used to provide for, to the extent of moneys available, all expenses of the developer or the county (not otherwise paid or provided for out of the proceeds of the sale of certificates) incidental to the certificates and required to be paid by either of them in order to comply with the terms of the certificates or the trust indenture. The "base rental fund" fund is used to accumulate base rental payments until transfer of funds to the interest account and the principal account in amounts of interest and principal then due. The "debt service reserve" fund is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. However, the county did not maintain adequate subsidiary records documenting the county's infrastructure or records documenting depreciation on infrastructure. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To adjust balances of capital asset classifications to agree with the county's capital asset records.	\$ (2,197,708)
To adjust long-term liabilities for principal that was not recognized in prior year.	(350,649)
To adjust balance of general fund cash to remove cash with fiscal agents that was not eliminated in prior year.	(226,820)
Total prior period adjustments	\$ <u>(2,775,177)</u>

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To adjust balance of general fund cash to remove cash with fiscal agents that was not eliminated in prior year.	\$ (226,820)
To adjust interfund advances for advance that was paid off in prior year.	
General Fund	(133,912)
Other Governmental Funds	133,912
Total prior period adjustment	\$ (226,820)

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$11,578,368, and the bank balance was \$11,760,320. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Pearl River County Detention Facility.

Investments balances at September 30, 2010, are as follows:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Government Money Market Fund	Less than one year	\$ 812,806	AAAm
Total		\$ 812,806	

The investment in the Hancock Horizon Government Money Market Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

Concentration of Credit Risk. The county places no limit on the amount the county may invest in any one issuer. All of the county's investments are in the Hancock Horizon Government Money Market Fund and are reported in the Jail Construction Fund.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countrywide Road Fund	General Fund	\$ 83,092
Other Governmental Funds	General Fund	\$ 39,703
Total		\$ 122,795

The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Fund	General Fund	\$ 97,330

The purpose of the advance was to reclassify road and bridge privilege taxes that were improperly recorded in the General fund.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	Countywide Road Fund	\$ 19,288
Other Governmental Funds	Other Governmental Funds	62,014
Other Governmental Funds	General Fund	100,000
Total		\$ 181,302

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 204,341
Reimbursement for housing prisoners	105,075
Bulletproof vest partnership program	6,067
Disaster grant public assistance	582,980
Community development block grant	321,833
Violence against women formula grant	17,860
State and community highway safety grant	42,184
Hazard mitigation grant	235,433
Crime victims assistance grant	12,756
Total Governmental Activities	\$ 1,528,529

(6) Restricted Assets.

The balances of the restricted asset accounts are as follows:

Administrative Expense Fund	\$ 555
Base Rental Fund	9
Debt Service Reserve Fund	812,242
Total restricted assets	\$ 812,806

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
Non-depreciable capital assets:					
Land	\$ 1,637,891			(550)	1,637,341
Construction in progress		6,241,901		(5,302,459)	939,442
Total non-depreciable capital assets	1,637,891	6,241,901	0	(5,303,009)	2,576,783
Depreciable capital assets:					
Infrastructure	125,512,102	1,315,500			126,827,602
Buildings	12,641,831	150,000		4,846,323	17,638,154
Improvements other than buildings	343,491			(4,366)	339,125
Mobile equipment	4,986,373	245,819	510,955	(11,804)	4,709,433
Furniture and equipment	4,012,049	527,589	9,474	(1,306,108)	3,224,056
Leased property under capital leases	1,717,181	228,273	395,723	(344,470)	1,205,261
Total depreciable capital assets	149,213,027	2,467,181	916,152	3,179,575	153,943,631

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Less accumulated depreciation for:</u>					
Infrastructure	81,763,603	383,543			82,147,146
Buildings	2,613,910	319,743			2,933,653
Improvements other than buildings	64,601	13,567			78,168
Mobile equipment	3,249,141	353,808	232,773	300,321	3,670,497
Furniture and equipment	1,084,607	382,813	9,379	209,334	1,667,375
Leased property under capital leases	953,838	193,321	155,019	(435,381)	556,759
Total accumulated depreciation	89,729,700	1,646,795	397,171	74,274	91,053,598
Total depreciable capital assets, net	59,483,327	820,386	518,981	3,105,301	62,890,033
Governmental activities capital assets, net	\$ 61,121,218	7,062,287	518,981	(2,197,708)	65,466,816

* Adjustments were to adjust balances of capital asset classifications to agree with the county's capital asset records

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 302,625
Public safety	614,927
Public works	718,058
Culture and recreation	4,872
Conservation of natural resources	6,313
Total governmental activities depreciation expense	\$ 1,646,795

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
DHS / Justice Court building	\$ 2,055,610	01/2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,085,532
Furniture and equipment		119,729
Total		1,205,261
Less: Accumulated depreciation		556,759
Leased Property Under Capital Leases	\$	648,502

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 225,358	15,655
2012	147,782	8,112
2013	101,660	4,292
2014	72,662	1,154
Total	\$ 547,462	29,213

(10) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge, Series 2008	3,060,000	3.70%	09/2016
Katrina Loan Refunding Bonds, Series 2010	\$ 1,210,000	3.35%	03/2020
Total General Obligation Bonds	\$ 4,270,000		
B. Limited Obligation Bonds:			
Detention Facility, Series 2003	\$ 7,130,000	2.50-4.65%	01/2023
Hospital Improvement, Series 2002	4,250,000	3.20-5.25%	07/2032
Total Limited Obligation Bonds	\$ 11,380,000		
C. Capital Leases:			
Caterpillar Dozer	\$ 16,455	4.19%	12/2011
Two Kubota Tractors & Booms	387	4.08%	12/2011
Two 2007 Ford F-150 Trucks	10,006	4.21%	01/2012
Two 2007 Pothole Patchers	26,353	4.08%	12/2011
Two 2007 Dump Trucks	27,417	4.08%	12/2011
2007 Ford Expedition	7,842	4.21%	01/2012
Two 2007 Ford F-150 Trucks	8,838	4.21%	01/2012
2007 Ford F-250 & F-350	12,395	4.31%	03/2012
AS 400 Computer Upgrade	38,463	4.31%	03/2012
Three 2008 Crown Victorias	28,220	3.30%	04/2012
2008 Ford F-250	3,323	3.15%	07/2011

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2008 Excavator	46,929	3.21%	09/2013
One 2010 Ford F-150	14,255	3.20%	11/2013
Seven Massey Ferguson Tractors	202,279	3.34%	07/2014
One Caterpillar Motorgrader	104,300	3.42%	08/2014
Total Capital Leases	\$ 547,462		
D. Other Loans:			
FEMA Community Disaster Loan	\$ 4,660,703	2.65%	01/2011
Urban Renewal Note	259,878	4.37%	02/2023
Total Other Loans	\$ 4,920,581		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 564,000	148,682	510,000	515,808
2012	587,000	122,579	540,000	496,657
2013	611,000	100,797	565,000	475,576
2014	635,000	78,142	600,000	452,896
2015	658,000	54,629	625,000	428,036
2016 – 2020	1,215,000	66,657	3,565,000	1,699,718
2021 – 2025			3,020,000	818,645
2026 – 2030			1,320,000	384,650
2031 – 2035			635,000	48,223
Total	\$ 4,270,000	571,486	11,380,000	5,320,209

Year Ending September 30	Other Loans	
	Principal	Interest
2011	\$ 4,672,802	482,619
2012	13,262	11,002
2013	13,874	10,390
2014	14,515	9,840
2015	15,186	9,078
2016 – 2020	87,129	34,191
2021 – 2025	103,813	12,116
Total	\$ 4,920,581	569,236

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 1.10% of the latest property assessments.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Current Refunding - On July 20, 2010 the county issued \$1,210,000 in general obligation refunding bonds with an average interest rate of 3.35% to refund the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Mississippi Development Bank Series 2007	4.37%	\$ 1,248,181

The county refunded the above bonds to reduce its total debt service payments over the next 10 years by almost \$160,171 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$91,255.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 545,448	38,245			583,693	
General obligation bonds	3,500,000	1,210,000	440,000		4,270,000	564,000
Less:						
Deferred amt on		(27,148)	(2,715)		(24,433)	
Add:						
Premium		124,825	12,483		112,342	
Limited obligation bonds	11,514,351		485,000	350,649	11,380,000	510,000
Capital leases	1,174,760	334,644	961,942		547,462	225,358
Other loans	6,195,951		27,189	*(1,248,181)	4,920,581	4,672,802
Total	\$ 22,930,510	1,680,566	1,923,899	(897,532)	21,789,645	5,972,160

*Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund and Countywide Road Fund. The adjustment to Limited obligation bonds was for principal that was not recognized in the prior year. The adjustment to other loans was for the amount outstanding on MS Development Bond Series 2007 that was refunded in the current year.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2010:

Fund	Deficit Amount
Federal Grants – EMA	\$ 742,363
Federal Grants – Katrina	5,319

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

General Obligation Debt Contingencies – The county borrowed money to provide funds for certain local fire districts. This debt is being retired from resources of these entities and is, therefore, a liability of these entities. However, because this debt is backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2010
Derby/Whitesand Fire District	\$ 79,229
Pine Grove Fire District	22,295
Amackertown Fire District	30,980
Steephollow Fire District	122,791
Total	\$ 255,295

(13) Joint Ventures.

The county participates in the following joint ventures:

Pearl River County is a participant with the Cities of Picayune and Poplarville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Pearl River County Library System. The library system was created to provide free library service to all the people in the county. The library system is governed by a board of trustees consisting of ten members. Pearl River County appoints five members, Picayune appoints four and Poplarville appoints one. The library system is funded by each governmental entity on a previously agreed to proportional basis. The county's appropriation to the joint venture was \$274,600 in fiscal year 2010. Complete financial statements for the Pearl River County Library System can be obtained from the Margaret Reed Crosby Memorial Library located at 900 Goodyear Boulevard, Picayune, MS 39466.

Pearl River County is a participant with the Cities of Poplarville and Picayune, the Chamber of Commerce and Pearl River Community College in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Pearl River County Development Association. The association was created to foster, encourage and facilitate economic development in the county. The association is composed of seven members appointed as follows: Pearl River County, two; Poplarville, one; Picayune, one; Chamber of Commerce, two; and Pearl River Community College, one. The county's appropriation to the joint venture was \$15,000 in fiscal year 2010. Complete financial statements can be obtained from P. O. Box 278, Picayune, MS 39466.

Pearl River County is a participant with the City of Poplarville in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Poplarville/Pearl River County Airport. The joint venture was created to provide airport service to the area. The airport is governed by a five member board of commissioners appointed as follows: Pearl River County, two; Poplarville, two; and jointly, one. The county's appropriation to the joint venture was \$4,000 in fiscal year 2010. Complete financial statements can be obtained from Highway 53 South, Poplarville, MS 39470.

PEARL RIVER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The county appropriated \$98,000 for support of the agency in fiscal year 2010.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Pearl River County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The county appropriated \$16,750 for support of the agency in fiscal year 2010.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Pearl River County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$150,000 for support of the district in fiscal year 2010.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Pearl River County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$1,473,199 for maintenance and support of the college in fiscal year 2010.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Pearl River County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$47,700 for support of the district in fiscal year 2010.

(15) Defined Benefit Pension Plan.

Plan Description. Pearl River County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$1,047,167, \$1,048,730 and \$1,038,003, respectively, equal to the required contributions for each year.

PEARL RIVER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(16) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/15/2010	3.23%	\$	98,796	Capital Lease	Advalorem taxes
04/11/2012	2.75%		5,363	Capital Lease	Advalorem taxes
04/11/2012	2.75%		25,087	Capital Lease	Advalorem taxes

On March 1, 2011 FEMA canceled \$1,601,852 of the county's \$4,660,703 community disaster loan

PEARL RIVER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 10,356,300	10,527,307	10,527,307	
Road and bridge privilege taxes		196,142	196,142	
Licenses, commissions and other revenue	1,025,000	756,753	756,753	
Fines and forfeitures	937,000	1,206,866	1,206,866	
Intergovernmental revenues	15,214,341	6,095,801	6,095,801	
Charges for services	2,525,000	2,696,481	2,696,481	
Interest income	169,500	142,394	144,933	2,539
Miscellaneous revenues	781,500	858,288	855,749	(2,539)
Total Revenues	<u>31,008,641</u>	<u>22,480,032</u>	<u>22,480,032</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	10,423,794	10,384,432	9,843,028	541,404
Public safety	8,243,010	8,694,289	7,888,230	806,059
Public works	219,000	530,278	530,278	
Health and welfare	477,600	465,191	465,191	
Culture and recreation	465,560	363,902	363,902	
Education	230,000	204,953	204,953	
Conservation of natural resources	204,118	188,191	187,841	350
Economic development and assistance	9,889,601	1,038,015	1,038,015	
Debt service:				
Principal			553,575	(553,575)
Interest			347,250	(347,250)
Total Expenditures	<u>30,152,683</u>	<u>21,869,251</u>	<u>21,422,263</u>	<u>446,988</u>
Excess of Revenues over (under) Expenditures	<u>855,958</u>	<u>610,781</u>	<u>1,057,769</u>	<u>446,988</u>
OTHER FINANCING SOURCES (USES)				
Premiums on bonds issued			58,746	58,746
Transfers in	450,000	62,498		(62,498)
Transfers out	(950,000)		(439,370)	(439,370)
Total Other Financing Sources and Uses	<u>(500,000)</u>	<u>62,498</u>	<u>(380,624)</u>	<u>(443,122)</u>
Net Change in Fund Balance	355,958	673,279	677,145	3,866
Fund Balances - Beginning	<u>5,440,700</u>	<u>6,010,092</u>	<u>4,406,536</u>	<u>(1,603,556)</u>
Fund Balances - Ending	<u>\$ 5,796,658</u>	<u>6,683,371</u>	<u>5,083,681</u>	<u>(1,599,690)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PEARL RIVER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,445,000	1,580,855	1,580,855	
Road and bridge privilege taxes		196,142	698,765	502,623
Licenses, commissions and other revenue	650,000	756,753		(756,753)
Intergovernmental revenues	1,175,000	1,350,534	1,350,534	
Charges for services	50,000	19,973	19,973	
Interest income			6,648	6,648
Miscellaneous revenues	25,000	167,827	161,179	(6,648)
Total Revenues	<u>3,345,000</u>	<u>4,072,084</u>	<u>3,817,954</u>	<u>(254,130)</u>
EXPENDITURES				
Current:				
Public works	3,555,900	3,969,921	3,407,525	562,396
Debt service:				
Principal			489,282	(489,282)
Interest			73,114	(73,114)
Total Expenditures	<u>3,555,900</u>	<u>3,969,921</u>	<u>3,969,921</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(210,900)</u>	<u>102,163</u>	<u>(151,967)</u>	<u>(254,130)</u>
OTHER FINANCING SOURCES (USES)				
Premiums on bonds issued	100,000			
Total Other Financing Sources and Uses	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(110,900)	102,163	(151,967)	(254,130)
Fund Balances - Beginning	<u>250,000</u>	<u>661,034</u>	<u>661,034</u>	
Fund Balances - Ending	<u>\$ 139,100</u>	<u>763,197</u>	<u>509,067</u>	<u>(254,130)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Road Fund
Budget (Cash Basis)	\$ 677,145	(151,967)
Increase (Decrease)		
Net adjustments for revenue accruals	707,194	55,506
Net adjustments for expenditure accruals	(1,968,754)	112,398
GAAP Basis	\$ <u>(584,415)</u>	<u>15,937</u>

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

SUPPLEMENTAL INFORMATION

PEARL RIVER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority			
Community development block grant/discretionary grants *	14.228	R-103-055-01-KCR	\$ 1,748,820
Community development block grant/state's program *	14.228	R-103-055-01-KED	345,030
Community development block grant/state's program *	14.228	1123-06-055-PF-01	280,076
Community development block grant/state's program *	14.228	R-103-06	164,130
Total U.S. Department of Housing and Urban Development			2,538,056
U.S. Department of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Crime victim assistance	16.575	08VA1511	44,137
Crime victim assistance	16.575	10VA1511	12,756
Subtotal			56,893
ARRA - Violence against women formula grants	16.588	06SL1553	4,321
ARRA - Violence against women formula grants	16.588	08SL1551	26,876
ARRA - Violence against women formula grants	16.588	09SL1551	10,928
Subtotal			42,125
Edward Byrne Memorial Justice Assistance Program	16.738	2009-DJ-BX-0660	10,296
ARRA - Edward Byrne Memorial Justice Assistance Program	16.804	2009-SB-B9-1757	68,782
Total U.S. Department of Justice			178,096
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
ARRA - Highway planning and construction	20.205	MS-139-055-1-B	16,507
ARRA - Highway planning and construction	20.205	BR NBIS 071 (B)	35,280
Subtotal			51,787
State and community highway safety	20.600	10TA1551	93,729
Total U.S. Department of Transportation			145,516
Environmental Protection Agency/ Passed-through Natural Resource Conservation Services			
Watershed protection program grant	66.480	68-4423-8-1778	192,324
US Department of Health and Human Services - Centers for Disease Control and Prevention/Passed-through the Mississippi State Department of Health			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		41,239

PEARL RIVER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			
Social services block grant	93.667	607V401	94,994
Social services block grant	93.667	607WL91	44,506
			<u>139,500</u>
Total U.S. Department of Health and Human Services			
U.S. Department of Homeland Security Passed-through the Mississippi Department of Public Safety			
State domestic preparedness equipment support grant	97.004	07HS055T	4,600
			<u>4,600</u>
Passed-through the Mississippi Emergency Management Agency			
Disaster grant public assistance *	97.036	PW#6297	43,200
Disaster grant public assistance *	97.036	PW#6142	2,538,652
Disaster grant public assistance *	97.036	DR-1604-MS PHASE II	60,832
Subtotal			<u>2,642,684</u>
Hazard mitigation grant	97.039	HMGP 1604-0319 PHASE III	183,757
			<u>183,757</u>
Emergency management performance grant	97.042	N/A	34,220
			<u>34,220</u>
Homeland security grant program	97.067	S7LE055	18,000
			<u>18,000</u>
Total U.S. Department of Homeland Security			<u>2,883,261</u>
Total Expenditures of Federal Awards			\$ <u><u>6,117,992</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

SPECIAL REPORTS

PEARL RIVER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Pearl River County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pearl River County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 11, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the county's infrastructure and has not maintained adequate records documenting depreciation on the county's infrastructure as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pearl River County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, 10-3 and 10-4 to be material weaknesses.

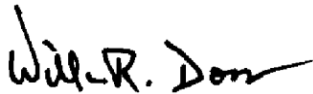
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pearl River County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Pearl River County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 11, 2012, included within this document.

Pearl River County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pearl River County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss" with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 11, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Pearl River County, Mississippi

Compliance

We have audited the compliance of Pearl River County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Pearl River County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pearl River County, Mississippi's management. Our responsibility is to express an opinion on Pearl River County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pearl River County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pearl River County, Mississippi's compliance with those requirements.

In our opinion, Pearl River County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

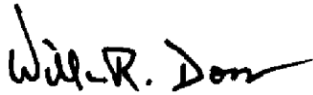
Internal Control Over Compliance

The management of Pearl River County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pearl River County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is stylized with a large initial 'W' and a cursive 'Doss'.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 11, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Pearl River County, Mississippi

We have examined Pearl River County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Pearl River County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Pearl River County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk.

1. Finding

Section 31-7-12, Miss. Code Ann. (1972), states that governing authorities may use state contracts approved for governing authorities without bidding. Governing authorities may buy from anyone selling the exact same item for the same or less without bidding. Items not on state contract are subject to bid laws and should be reported in the board minutes. Certain fixed assets were discovered to neither show documentation of competitive bids/quotes nor were they accompanied by a state contract number. Without proper documentation it is impossible to determine if in fact purchasing procedures are being followed correctly. Failure to follow bid laws could result in overpayment for goods or services.

Recommendation

The purchasing clerk should retain contract numbers for items purchased under state contracts or be able to provide accessible information of competitive bids/quotes for fixed assets.

Purchase Clerk's Response

The Board of Supervisors will work with The Purchase Clerk to create a system to have all state contract purchases spread upon the minutes as well as copies of state contract attached to the purchase orders.

Inventory Control Clerk.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in the prior four years audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the county's infrastructure and for documenting depreciation on the county's infrastructure. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the governmental activities. The failure to maintain a proper inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

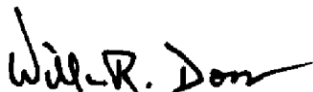
The Board of Supervisors are studying the cost benefit of having a CPA firm prepare our financial statements in the future.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Pearl River County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Pearl River County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Pearl River County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 11, 2012

PEARL RIVER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

PEARL RIVER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

PEARL RIVER COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
05/10/2010	Arc software maintenance	\$ 13,550	ERSI
09/10/2010	Arc editor software license	5,950	ERSI
09/10/2010	Arc editor software maintenance	17,850	ERSI

PEARL RIVER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Pearl River County, Mississippi

In planning and performing our audit of the financial statements of Pearl River County, Mississippi for the year ended September 30, 2010, we considered Pearl River County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pearl River County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 11, 2012, on the financial statements of Pearl River County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Road and bridge privilege tax should be recorded in the proper fund.

Section 27-19-159, Miss. Code Ann. (1972), requires that road and bridge privilege tax sums shall constitute a road fund of such county receiving its proportionate share. As reported in the prior year audit report, a portion of the road and bridge privilege taxes were inadvertently recorded in the General Fund instead of the Road Fund. Failure to record road and bridge privilege taxes to the road fund would be in direct violation of section 27-19-159, Miss. Code Ann. (1972), and could result in misappropriation of public funds.

Recommendation

A transfer should be made from the General Fund to the Road Fund to correct the misplacement of the road and bridge privilege tax sums.

Board of Supervisors' Response

The Board of Supervisors will work with bookkeeping to correct the mistake and make appropriate transfers.

2. Finding

Board orders related to transfers should be spread on the Board's minutes.

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for the proceedings of the Board of Supervisors. Transfers in and out and sole source purchases were made without board orders spread on the minutes. The lack of signed board minutes makes it undeterminable what actions the Board of Supervisors has legally taken. The failure to obtain approval for transfers in and out and sole source purchases could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should implement procedures to spread complete orders on the minutes relative to transfers in and out and sole source purchases.

Board of Supervisors' Response

The Board of Supervisors stated that transfers were approved on the claims dockets. In the future all transfers will be spread upon the minutes and dockets. The board will also ensure that all sole source items will be recorded in the minutes in the future.

3. Finding

County signed warrants without sufficient money.

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. At September 30, 2010, the following funds; CDBG Grant - DHS Building, CDBG Grant - Road Imp Hospital, Federal Grants - SO, Federal Grants - EMA, Federal Grants - Planning, and Federal Grants - Katrina had negative cash balances of \$193,989.61, \$1,870.43, \$22,316.36, \$762,748.22, \$55,582.34, and \$5,319.28 respectively. Intergovernmental receivables for grant proceeds that were not received by fiscal year end were proposed by the auditor and made, with the county's approval, to correct the negative cash balance on the financial statements. The signing of warrants or the delivery of warrants without sufficient money in the fund upon which it is drawn to pay the same could result in loss or misuse of public funds.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

Expenditures were made on grants that required the expenditure before reimbursement was made. The Board will ensure that transfers will be made in the future to cover expenditures until grant funds are received.

Chancery Clerk.

4. Finding

Chancery Clerk should file annual report in a timely manner.

Section 9-1-43 (1), Miss. Code Ann. (1972), states that all such fees received by the office of chancery or circuit clerks that are in excess of the salary limitation shall be deposited by such clerk into the county general fund on or before April 15 for the preceding calendar year.

The Chancery Clerk did not file the Annual Financial Report in a timely manner. Failure to report Annual Financial reports in a timely manner could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Chancery Clerk should establish controls to ensure that Annual Financial Reports are filed in a timely manner, as required by law.

Board of Supervisors' Response

The Chancery Clerk has put controls in place to ensure compliance in the future.

Sheriff.

5. Finding

Daily bank deposits should be made.

An effective system of internal control over cash requires that daily bank deposits be made. The Sheriff failed to make daily deposits throughout the fiscal year. The failure to make daily deposits could result in the misappropriation of public funds.

Recommendation

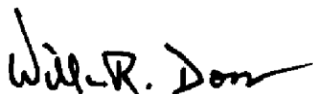
The Sheriff should implement internal controls to ensure that daily bank deposits are made.

Board of Supervisors' Response

The Sheriff is now making daily deposits.

Pearl River County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 11, 2012

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide Road Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Community development block grants/state's program, CFDA # 14.228 | |
| | b. Disaster grants - public assistance, CFDA # 97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | Yes |

PEARL RIVER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 10-1. The County should implement controls to ensure preparation of its financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior three years' audit reports, management did not have personnel who possessed the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Pearl River County's accounting records are maintained on the cash basis and the auditors assisted in the preparation of accrual entries and in the drafting of the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board of Supervisors' are studying the cost benefit of having a CPA firm prepare our financial statements in the future.

Material Weakness

- 10-2. Financial data of the County's component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior three years' audit reports, the financial statements do not include the financial data for its component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors' should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors have financial reports on all component units. In the future, financial reports can be compiled together.

PEARL RIVER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Material Weakness

- 10-3. The County did not complete the federal grant activity schedule for the fiscal year ended September 30, 2010.

Finding

An effective system of internal control over federal grants includes properly identifying all revenues and expenditures, including accruals, on the federal grant activity schedule. The county did not complete the federal grant activity schedule for the fiscal year ended September 30, 2010. As a result, the auditors assisted the County in completing the Schedule of Expenditures of Federal Awards. The failure to properly complete the federal grant activity schedule increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly complete the federal grant activity schedule.

Board of Supervisors' Response

The Board of Supervisors' are studying the cost benefit of having a CPA firm prepare our financial statements and schedules in the future.

Inventory Control Clerk.

Material Weakness

- 10-4. The county should maintain adequate capital asset subsidiary records.

Finding

An effective system of internal control should include adequate subsidiary records documenting the existence completeness and valuation of governmental activities capital assets as well as the depreciation of these assets. As reported in the prior four years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the county's capital assets including infrastructure and for documenting depreciation on the county's capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the governmental activities. The failure to maintain a proper inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Board of Supervisors' Response

The Board of Supervisors are studying the cost benefit of having a CPA firm prepare our financial statements in the future.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

PEARL RIVER COUNTY

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PEARL RIVER COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PEARL RIVER COUNTY

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Pearl River County, Mississippi
P.O. Box 569
Poplarville, MS 39470
www.pearlrivercounty.net

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2010

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Pearl River County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

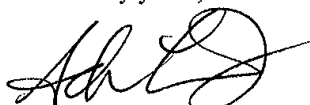
FINDING 09-5: Community Development Block Grant Program/Passed through the Mississippi Development Authority, CFDA # 14.228

Condition: Expenditures and revenues relating to the Community Development Block Grant #1218M065G280255 were not recorded in the general ledger.

Recommendation: The Pearl River County Board of Supervisors should take steps to ensure that a separate fund is established and that all transactions are recorded in the general ledger in order to facilitate accounting for grant transactions.

Current Status: Corrective action was taken.

Sincerely yours,



Adrain Lumpkin, Jr.
County Administrator
Contact No: (601) 403-2300